

Message Text

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ACTION EA-09

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FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC PRIORITY 7065

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

C O N F I D E N T I A L KUALA LUMPUR 2686

E.O. 11652: GDS

TAGS: PFOR, MY, AUSTRALIA

SUBJECT: AUSTRALIAN FOREIGN MINISTER'S VISIT TO MALAYSIA

1. SUMMARY/INTRODUCTION: AUSTRALIAN FOREIGN MINISTER ANDREW PEACOCK VISITED MALAYSIA APRIL 21-23 WHILE ON A TOUR OF SEVERAL SOUTHEAST ASIAN COUNTRIES. WHILE HERE HE MET WITH PRIME MINISTER HUSSEIN ONN, DEPUTY PRIME MINISTER GHAZALI SHAFIE AND INFORMATION MINISTER TAIB MAHMUD. TALKS FOCUSED ON WIDE RANGE OF BILATERAL, REGIONAL AND INTERNATIONAL ISSUES, INCLUDING TRADE, ECONOMIC/TECHNICAL ASSISTANCE, MALAYSIAN STUDENTS IN AUSTRALIA, ASEAN DEVELOPMENTS, INDOCHINA, CARTER ADMINISTRATION'S POLICY TOWARD SOUTHEAST ASIA, AND THE NORTH-SOUTH ECONOMIC DIALOGUE. RE OUTSTANDING BILATERAL MATTERS, PEACOCK TOLD ME JUST BEFORE DEPARTURE FOR SINGAPORE

APRIL 23 AUSTRALIA WILL PROVIDE MALAYSIA WITH US\$4.3 MILLION AID OVER NEXT FIVE YEARS FOR FINAL FEASIBILITY STUDIES FOR A MAJOR HYDROELECTRIC DAM PROJECT IN STATE OF TRENGGANU ON
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MALAYSIA'S EAST COAST. HE ADDED THAT GOA AND GOM OFFICIALS WOULD BE GETTING TOGETHER TO DISCUSS GUIDELINES FOR ADMISSION OF PRIVATE MALAYSIAN STUDENTS TO AUSTRALIAN SCHOOLS TO ENSURE "RELEVANCE" TO MALAYSIA'S NEEDS ACCORDING AUSTRALIAN DCM, VISIT WENT VERY WELL AND PROVIDED OVERDUE EXCHANGE OF VIEWS ON A VARIETY OF ISSUES OF MUTUAL CONCERN. AUSTRALIANS HOPE FRANK EXCHANGES THAT TOOK PLACE WILL HALT WHAT THEY BELIEVE IS A

DEGREE OF "DRIFT" IN RELATIONS BETWEEN THE TWO COUNTRIES. END
SUMMARY: INTRODUCTION.

2. BILATERAL ISSUES. ACCORDING TO AUSTRALIAN DEPUTY HIGH COMMISSIONER HUGHES, WHO PROVIDED EMBOFF WITH BRIEF RUNDOWN, MANY HOURS OF SUBSTANTIVE DISCUSSIONS WERE SQUEEZED INTO THE RELATIVELY BRIEF VISIT. ON THE STUDENT PROBLEM, GOA IS CONCERNED ABOUT DRAMATIC INCREASE IN NUMBERS OF PRIVATE MALAYSIAN STUDENTS STUDYING IN AUSTRALIA, A LARGE NUMBER OF PRIVATE MALAYSIAN STUDENTS STUDYING IN AUSTRALIA, A LARGE NUMBER OF WHOM PROBABLY DO NOT INTEND TO RETURN TO MALAYSIA. (ACCORDING AUSTRALIAN HIGH COMMISSION, OF EST. 12,000 FOREIGN STUDENTS IN AUSTRALIA, APPROXIMATELY 7,000 ARE FROM MALAYSIA, WITH MAJORITY OF REMAINDER FROM SINGAPORE. IN 1975 ABOUT 400 MALAYSIANS ENTERED AUSTRALIAN EDUCATIONAL FACILITIES. THIS YEAR ABOUT 900 ARE EXPECTED TO GO THERE.) GOA HOPES TO OBTAIN MALAYSIAN COOPERATION TO REGULATE WHAT IN ESSENCE CONSTITUTES A "BACK DOOR" TO IMMIGRATION. HOWEVER, UP TO NOW GOM HAD NOT APPEARED VERY CONCERNED ABOUT THIS SINCE VAST MAJORITY OF THESE STUDENTS ARE ETHNIC CHINESE FOR WHOM EDUCATIONAL OPPORTUNITIES IN MALAYSIA ARE CIRCUMSCRIBED BY GOVERNMENT'S EDUCATION POLICIES FAVORING MALAYS. FOR THEIR PART, MALAYSIAN OFFICIALS DREW ATTENTION TO AN OUTSTANDING TRADE PROBLEM, EXPRESSING HOPE A LONG-TERM SUGAR SUPPLY CONTRACT WITH AN AUSTRALIAN PRODUCER COULD BE RENEGOTIATED, SINCE IT WAS MADE WHEN SUGAR PRICES WERE AT A PEAK. ALTHOUGH THE AUSTRALIANS PROMISED TO LOOK INTO THIS, HUGHES NOTED THAT THERE IS PROBABLY NO POSSIBILITY OF REDRESS, EVEN THOUGH THE MALAYSIANS ENDED UP WITH A BAD BUSINESS DEAL. ON DEFENSE COOPERATION, CONFIDENTIAL

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PM HUSSEIN ONN EXPRESSED MALAYSIA'S APPRECIATION FOR AUSTRALIAN CONTRIBUTIONS TO MALAYSIA DEFENSE VIA RAAF AIRFORCE UNIT STATIONED AT BUTTERWORTH AIR BASE, AND PEACOCK IN TURN ASSURED HUSSEIN GOA HAS NO REPEAT NO INTENTIONS OF WITHDRAWING THIS UNIT IN FORESEEABLE FUTURE.

3. ASEAN. DISCUSSIONS ALSO TOUCHED ON POSSIBLE VISIT BY PM FRASER TO KUALA LUMPUR IMMEDIATELY AFTER AUGUST ASEAN SUMMIT TO MEET WITH ASEAN LEADERS (IN CONJUNCTION WITH SIMILAR INVITATIONS TO JAPANESE AND NEW ZEALAND PM'S). ALTHOUGH NO INVITATION HAS BEEN FORMALLY EXTENDED, PEACOCK RECEIVED NUMEROUS "STRONG HINTS" IN THIS DIRECTION AND THERE SEEMED TO BE A PRESUMPTION ON BOTH SIDES THAT FRASER WOULD INDEED BE INVITED.

4. SOUTHEAST ASIA, INDOCHINA AND THE U.S.: INDOCHINA AND THE CARTER ADMINISTRATION'S POLICY TOWARD SOUTHEAST ASIA ALSO FIGURED PROMINENTLY IN DISCUSSIONS. GOM OFFICIALS, INCLUDING PM HUSSEIN ONN, REMAIN VERY CONCERNED ABOUT VAST QUANTITIES OF MILITARY HARDWARE THAT FELL INTO COMMUNIST HANDS IN INDOCHINA

AND WORRIED ABOUT THE SRV'S INTENTIONS REGARDING ITS NON-COMMUNIST NEIGHBORS.

HUGHES SAID THE MALAYSIANS EXPRESSED CONSIDERABLE INTEREST IN US/SRV TALKS AIMED AT NORMALIZING RELATIONS. GOM OFFICIALS ALSO EXPRESSED HOPE U.S. "WOULD NOT OVERLOOK" SOUTHEAST ASIA, AND PEACOCK SOUGHT TO REASSURE THEM HE DID NOT REPEAT NOT BELIEVE THEY SHOULD WORRY ABOUT THIS. HE SUGGESTED GOM SHOULD ADDRESS ITS CONCERNS ON THIS "DIRECTLY TO THE AMERICANS."

5. HUGHES INDICATED THAT GOA FELT A PRESSING NEED FOR HIGH-LEVEL TALKS WITH GOM IN ORDER TO HALT WHAT AUSTRALIANS PERCEIVE AS A DEGREE OF "DRIFT" IN THE TWO COUNTRIES' RELATIONS. (EMBOFF INTERJECTED THAT HE HAD HEARD SOME AUSTRALIAN DIPLOMATS COMPLAIN THAT MALAYSIANS OFTEN SEEM TO "TAKE AUSTRALIA FOR GRANTED".) GOA IS PARTICULARLY CONCERNED ABOUT GROWING MALAYSIAN TIES WITH ARAB WORLD AND WHAT THEY SEE AS AN "ISLAMIC FACE" TO GOM FOREIGN POLICY. AUSTRALIA VALUES ITS RELATIONS WITH MALAYSIA, WITH WHOM
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IT SHARES BENEFICIAL TRADE TIES AND NUMEROUS COMMON INTERESTS IN THE INTERNATIONAL ECONOMIC ARENA, AND THEREFORE HOPES GOM WILL NOT REORIENT ITS POLICIES IN A MANNER THAT WOULD TEND TO EXCLUDE AUSTRALIAN INTERESTS. AUSTRALIANS NOW HOWEVER ARE UPBEAT AND BELIEVE PEACOCK'S VISIT HAS SERVED TO UNDERSCORE GOA'S POINTS OF VIEW ON VARIOUS ISSUES. IN THIS REGARD, OFFER BY GOM FOR AUSTRALIAN LEADERS TO STOP OVER IN KUALA LUMPUR ON ROUTINE BASIS WHENEVER THEY PASS THROUGH THE AREA ENROUTE TO EUROPE OR ELSEWHERE WAS PARTICULARLY WELL RECEIVED, SINCE IT MEETS GOA'S INTEREST IN INSTITUTIONALIZING HIGH LEVEL CONSULTATIONS WITH GOM ON CONTINUING, PERIODIC BASIS.
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